

Message Text

CONFIDENTIAL

PAGE 01 STATE 094619

12

ORIGIN AID-54

INFO OCT-01 ADP-00 EA-04 IGA-02 EB-05 /066 R

DRAFTED BY AA/ SA: RHNOOTER: DL

05/ 16/73 EXT 23972

APPROVED BY AA/ SA: RHNOOTER

EA/ LC: LMRIVES (DRAFT)

T: RWILSON (DRAFT)

SA/ C: GKAMENS

DESIRED DISTRIBUTION

7 M ACTION SAB INFO EXSEC PA PPC GC GCFLD GCSA CIA COM FSR NSC

O OPIC TRSY CLASS OA 54 P

----- 098465

R 172034 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY PHNOM PENH

C O N F I D E N T I A L STATE 094619

AIDAC

E. O. 11652: GDS

FOR WEDEMAN FROM NOOTER

SUBJ: MEETING WITH IMF STAFF ON EXCHANGE RATE AND OTHER
ISSUES - -

REFS: A. PHNOM PENH 4246 B. PHNOM PENH 4408

C. STATE 83445 D. PHNOM PENH 4 I58

E. PHNOM PENH 4553

1. AFTER RECEIPT OF DISTURBING CONTENTS REF A, WE HAD MEET-
ING AT OUR REQUEST WITH WOODLEY, PALMER AND DERAET OF IMF
STAFF (TOMASSON WAS IN SAIGON). I EXPRESSED CONCERN THAT
U. S. AND IMF REPRESENTATIVES SEEMED TO BE PRESENTING CON-
FLICTING ADVICE TO GKR IN A MANNER WHICH WOULD NEUTRALIZE
THE EFFECTIVENESS OF BOTH AND STATED MY BELIEF THAT THE
QUESTION OF WHO WAS RIGHT OR WRONG ON THE TECHNICAL POINTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 094619

IN QUESTION WAS LESS IMPORTANT THAN HAVING UNITED FRONT.
WOOLLY, WHO IS ALWAYS COOPERATIVE AND PRAGMATIC, AGREED.

--

2. I THEN GAVE OUR VIEWS ON THE VARIOUS ISSUES IN QUESTION IN ORDER TO DETERMINE IF THERE WERE IN FACT DISAGREEMENTS ON MATTERS OF SUBSTANCE. I SAID WE BELIEVE EXCHANGE RATE IS OVERDUE FOR AN ADJUSTMENT, ALTHOUGH SITUATION IS NOT YET BEYOND REPAIR SINCE TOTAL DRAWDOWN OF ESF FUNDS IS STILL NO WITHIN DOLS. 35 MILLION ANNUAL RATE (THIS WAS SAID BEFORE REF E WHICH INDICATES TOTAL ESF RESOURCES MAY BE ONLY DOLS. 32 MILLION). WOODLEY AGREED THAT RATE SHOULD BE KEPT MOVING. HE STATED IMF WAS NOT SO MUCH OPPOSED TO 300 RIEL END- OF- YEAR TARGET ITSELF, BUT WAS UPSET THAT THIS FIGURE WAS PUT IN WRITTEN COMMUNICATION WHICH WOULD THEN HAVE UPWARD IMPACT ON MARKET WHEN IT BECAME KNOWN.

3. I EXPRESSED VIEW THAT SPREAD BETWEEN CIP AND ESF SHOULD PROBABLY BE NARROWED, BUT PERHAPS TO 20-25 PERCENT RATHER THAN THE 15 PERCENT MENTIONED IN REF A. I ALSO SAID THAT ADVANCE DEPOSIT DIFFERENCE SHOULD BE NARROWED, BUT PERHAPS TO 200 PERCENT ON NON- CIP AND 100 PERCENT ON CIP GOODS. HOWEVER, THESE WERE OBJECTIVES TO REACH GRADUALLY OVER TIME, DEPENDING UPON MARKET RESPONSE AS CHANGES ARE MADE, IN ORDER THAT DEMAND ON ESF AND CIP REMAINED IN BALANCE. WOODLEY HAD NO STRONG VIEWS ON THIS.

4. IN DESCRIBING WHY EVERS MIGHT HAVE DIFFERENT VIEW AS TO ADEQUACY OF ESF RESOURCES, WOODLEY SAID EVERS STILL UNDER IMPRESSION THAT U. S. WILL BE ABLE TO FINANCE 50 PERCENT OF PL-480 FREIGHT. I ASSURED WOODLEY THIS IS NOT THE CASE, AND THAT FULL ESTIMATED DOLS. 6 MILLION FREIGHT MUST BE FINANCED FROM ESF THIS CALENDAR YEAR.

5. WOODLEY SAID THAT PL-480 COUNTERPART APPARENTLY HELD BY COMMERCIAL BANKS WAS ADDING TO MONEY SUPPLY IN UNDESIRABLE WAY. YOU MIGHT EXPLORE THIS TO SEE WHETHER COUNTERPART IS AVAILABLE FOR BANK LOANS AND OTHER USES IN COMMERCIAL MARKETPLACE PRIOR TO BEING TURNED OVER TO GKR AND WHETHER THIS HAS UNDESIRABLE EFFECT ON MONEY SUPPLY. (POLICY MEASURES MENTIONED IN REF B, PARA 7 C MAY GET AT THIS PROBLEM.)

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 094619

6. ON QUESTION OF BANNED LUXURY IMPORTS, WOODLEY SAID HE HAD TOLD EVERS NOT TO PUSH ONE WAY OR ANOTHER ON THIS SINCE IT IS A MARGINAL ISSUE. I SAID THAT WE ALSO WERE NOT ADAMANT ON THIS POINT, ALTHOUGH BANNING OF LUXURIES WAS EXTREMELY HELPFUL IN RESPONSE TO CONGRESSIONAL CRITICISM.

7. I DESCRIBED MY PROFOUND CONCERN WITH LOW RICE PRICE AND EFFECT THIS HAD ON DRAWDOWNS OF GOVERNMENT STOCKS, REDUCTIONS IN FUTURE PLANTINGS, MOVEMENTS ACROSS BORDER, ETC. WOODLEY MENTIONED PLAN TO RAISE GOVERNMENT SALARIES ALONG WITH INCREASE IN RICE PRICE AND I STATED WHOLE-HEARTED SUPPORT FOR WHAT SEEMS TO BE ONLY POLITICALLY FEASIBLE WAY TO BRING ABOUT RICE PRICE INCREASE.

8. IN SUMMARY, WE AGREED THAT IT IS IMPERATIVE FOR YOU AND EVERS TO HAVE MUTUALLY AGREED POSITIONS ON MOST IF NOT

ALL ISSUES IN ORDER THAT YOUR INFLUENCE ON GKR WILL BE ENHANCED. EXPRESSIONS OF OPPOSING POSITIONS WILL ONLY NEUTRALIZE BOTH AND GIVE CAMBODIANS IMPRESSION THEY MIGHT AS WELL PROCEED AS THEY WISH SINCE EVEN HIGHLY QUALIFIED FOREIGN EXPERTS CANNOT AGREE. BELIEVE WOODLEY WILL ALSO BE ADVISING EVERS ALONG THESE LINES.

5. I DO NOT BELIEVE THAT ANY OF THE DIFFERENCES BETWEEN OUR VARIOUS POSITIONS CANNOT BE RESOLVED, ESPECIALLY IF WE START FROM SAME ASSUMPTIONS (I. E., IF EVERS KNOWS PL-480 FREIGHT CAN ONLY BE FINANCED FROM ESF). REQUEST YOU MAKE EVERY EFFORT TO REACH JOINT POSITIONS WITH EVERS AND AVOID SEPARATE APPROACHES TO GKR WHICH UNDERCUT EACH OTHER. FYI: MY IMPRESSION BASED UPON INFORMAL COMMENTS MADE BEFORE AND AFTER MEETING WAS THAT ONE PART OF PROBLEM IS THAT EVERS, UNDER GREAT PRESSURE AS SOLE IMF REPRESENTATIVE IN EXTREMELY TRYING POSITION, FEELS U. S. HAS BEEN SOMEWHAT HIGH-HANDED ON PERSONAL BASIS. THIS WAS STATED DISCREETLY AND WITHOUT INTENT TO ANTAGONIZE, BUT I THOUGHT YOU SHOULD KNOW PAST REACTION IN TERMS OF ASSESSING HOW TO GET ALONG WITH EVERS IN FUTURE. END FYI. RUSH

CONFIDENTIAL
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE094619
Document Source: CORE
Document Unique ID: 00
Drafter: RHNOOTER: DL
Enclosure: n/a
Executive Order: RR
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730549/aaaajmie.tel
Line Count: 148
Locator: TEXT ON-LINE
Office: ORIGIN AID
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 PHNOM PENH 4246, 73 STATE 83445, 73 PHNOM PENH 4158
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 20 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20-Nov-2001 by shawdg>; APPROVED <02-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980224
Subject: MEETING WITH IMF STAFF ON EXCHANGE RATE AND OTHER
TAGS: PFOR, VM, n/a
To: PHNOM PENH
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005